Lecture 2 – ECON - 355

Indicators

I. History: Kuznets:
    A. Ingredients for growth,
        1. 20 % net savings rate
        2. How do you arrive at 20% or more?

    B. Calculation for your country?
        1. Ingredients: Pop growth (2.5%), GDP growth
        (2.0 %),
                capital-output ratio 6/1
        2. (2.0)+(2.5)=(4.5)*6= 26% net savings rate?

    C. What is required savings rate for your country?

II. Contemporary Economic Indicators:

    A. GDP per head.
    1. 1.   Three ways to grow: Increase GDP or reduce population or perhaps both.
    2. 2.   Biases: exchange rate and omitted agricultural sector and distribution
        a. a.   Exchange rate: often overvalued, should use purchasing power parity against US dollar. PPP equalizes cost of tradables between two goods. Example, Big Mac cost if equalized between Vancouver and Seattle would lead Canada to PPP at 84 cents and not 70 cents.
        b. b.   Omitted agricultural output; add 20 per cent to GDP for poor countries.
        c. c.   Distribution: average does not reveal extremes
            i. Size distribution of income (handout)
            ii. Alternative measures; median, range, Gini

Note obtain, mean, median and size distribution for your country.

III. Poverty: What proportion of world or your country falls below poverty line?

A. Measures of Poverty
1. 1.   Absolute poverty measure: amount in local currency to purchase food, clothing and shelter to survive.
2. 2.   Relative poverty measure: percentage of income (60-80%) of disposable income to support food, clothing and shelter?

B. Calculations of necessary food:
1. Balance sheet approach:
2. Minimum daily requirement of calories, protein etc.
3. Food surveys.

IV. Demographic Indicators:

A. Demographic Transition:
1. 1.   4 stages: high CBR, CDR; high CBR low CDR, CBR declines and low CBR and CDR
2. 2.   Where is your country in stage 1, 2, 3, or 4?
3. 3.   What causes the progression of CBR and CDR
   a. a.   CDR: Infant mortality rate and public health
   b. b.   CBR and desired family size according to Crimmins-Easterlin.

B. Health indicators:
1. 1.   Infant Mortality rate, childhood survival rate, life expectancy at birth

2. 2.   Morbidity indicators: quality of life; TB, etc.

C. Human Development Index: Relative deprivation of relative to highest or lowest.

Weight indictors and index.